

110TH CONGRESS  
2D SESSION

# H. R. 7314

To amend the Internal Revenue Code of 1986 to provide tax relief to the unemployed, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 9, 2008

Mr. MICHAUD introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief to the unemployed, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Workforce Fairness  
5       and Tax Relief Act of 2008”.

6       **SEC. 2. REPEAL OF TAX ON UNEMPLOYMENT COMPENSA-**  
7       **TION.**

8       (a) IN GENERAL.—Section 85 of the Internal Rev-  
9       enue Code of 1986 is hereby repealed.

10       (b) CONFORMING AMENDMENTS.—

1           (1) Subsection (p) of section 3402 of such Code  
 2           is amended by striking paragraph (2) and by redes-  
 3           ignating paragraph (3) as paragraph (2).

4           (2) Section 6050B of such Code (relating to re-  
 5           turns relating to unemployment compensation) is  
 6           hereby repealed.

7           (3) The table of sections for part II of sub-  
 8           chapter B of chapter 1 of such Code is amended by  
 9           striking the item relating to section 85.

10          (4) The table of sections for subpart B of part  
 11          III of subchapter A of chapter 61 of such Code is  
 12          amended by striking the item relating to section  
 13          6050B.

14          (c) EFFECTIVE DATE.—The amendments made by  
 15          this section shall apply to amounts received after Decem-  
 16          ber 31, 2008.

17      **SEC. 3. UNLIMITED PENALTY-FREE DISTRIBUTIONS FROM**  
 18                              **QUALIFIED RETIREMENT PLANS TO INDIVID-**  
 19                              **UALS AFTER SEPARATION FROM EMPLOY-**  
 20                              **MENT.**

21          (a) UNLIMITED PENALTY-FREE DISTRIBUTIONS TO  
 22          UNEMPLOYED INDIVIDUALS.—Clause (i) of section  
 23          72(t)(2)(D) of the Internal Revenue Code of 1986 is  
 24          amended to read as follows:

1 “(i) IN GENERAL.—Distributions from  
2 a qualified retirement plan to an individual  
3 after separation from employment if—

4 “(I) the individual has received  
5 unemployment compensation for 12  
6 consecutive weeks under any Federal  
7 or State unemployment compensation  
8 law by reason of such separation; and

9 “(II) such distributions are made  
10 during any taxable year during which  
11 such unemployment compensation is  
12 paid or the succeeding taxable year.”.

13 (b) CONFORMING AMENDMENT.—Subparagraph (D)  
14 of section 72(t)(2) of such Code is amended in the heading  
15 by striking “FOR HEALTH INSURANCE PREMIUMS”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to distributions made after Decem-  
18 ber 31, 2008.

19 **SEC. 4. LIMITED EXCLUSION FROM INCOME OF EMPLOY-**  
20 **MENT SEVERANCE PAYMENTS.**

21 (a) IN GENERAL.—Part III of subchapter B of chap-  
22 ter 1 of the Internal Revenue Code of 1986 is amended  
23 by inserting after section 139B the following new section:

1 **“SEC. 139C. CERTAIN EMPLOYMENT SEVERANCE PAY-**  
 2 **MENTS.**

3 “(a) IN GENERAL.—Gross income shall not include  
 4 amounts received by an employee (or former employee)  
 5 from an employer solely in connection with a termination  
 6 of employment if such amount is received in cash contem-  
 7 poraneously with such termination.

8 “(b) LIMITATION.—If the amount which would (but  
 9 for this subsection) be excluded from gross income under  
 10 subsection (a) in connection with any termination of em-  
 11 ployment exceeds \$10,000, such amount shall be reduced  
 12 (but not below zero) by an amount which bears the same  
 13 proportion to such amount as—

14 “(1) the excess of—

15 “(A) such amount, over

16 “(B) \$10,000, bears to

17 “(2) \$10,000.

18 “(c) EMPLOYMENT TAXES.—Amounts excluded from  
 19 gross income under subsection (a) shall not be taken into  
 20 account as wages for purposes of chapters 21, 22, 23,  
 21 23A, and 24.”.

22 (b) SOCIAL SECURITY TRUST FUNDS HELD HARM-  
 23 LESS.—There is hereby appropriated (out of any money  
 24 in the Treasury not otherwise appropriated) for each fiscal  
 25 year to each fund under the Social Security Act an amount  
 26 equal to the reduction in the transfers to such fund for

1 such fiscal year by reason of the amendment made by sub-  
 2 section (a).

3 (c) CLERICAL AMENDMENT.—The table of sections  
 4 for part III of subchapter B of chapter 1 of such Code  
 5 is amended by inserting after the item relating to section  
 6 139B the following new item:

“Sec. 139C. Certain employment severance payments.”.

7 (d) EFFECTIVE DATE.—The amendment made by  
 8 this section shall apply to amounts received after Decem-  
 9 ber 31, 2008.

10 **SEC. 5. INCREASE IN CREDIT AMOUNT OF HEALTH INSUR-**  
 11 **ANCE COSTS OF ELIGIBLE INDIVIDUALS.**

12 (a) IN GENERAL.—Subsection (a) of section 35 of the  
 13 Internal Revenue Code of 1986 is amended by striking  
 14 “65 percent” and inserting “100 percent”.

15 (b) CONFORMING AMENDMENT.—Section 7527(b) of  
 16 such Code is amended by striking “65 percent of”.

17 (c) EFFECTIVE DATE.—The amendments made by  
 18 this section shall apply to payments made after December  
 19 31, 2008.

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